



INFORMATION SHEET

Serving the People of California

SOCIAL SECURITY/MEDICARE/SDI TAXES PAID BY AN EMPLOYER

When an employer pays an employee's share of Social Security, and/or Medicare (taxes imposed under the Federal Insurance Contributions Act - FICA) or State Disability Insurance (SDI) without deduction, the employee's wage increases by the amount of Social Security, Medicare, or SDI paid. This increase in wages is subject to Unemployment Insurance (UI), Employment Training Tax (ETT) and SDI under Section 926 and subject to Personal Income Tax (PIT) withholding under Section 13020 of the California Unemployment Insurance Code (CUIC).

Employee Tax: Domestic Service / Agricultural Labor

When an agricultural or domestic employer pays Social Security, and/or Medicare without deduction for an agricultural or domestic employee, the payments **are not** considered an increase in the employee's wages for employment tax purposes. The payments are excluded from the definition of wages for UI, ETT, and SDI purposes under Section 935 of the CUIC.

SDI taxes paid without deduction for an agricultural or domestic employee are considered an increase to the employee's wages for employment tax purposes and are subject to UI, ETT, and SDI taxes.

Agricultural and domestic service employers are not required to withhold PIT from wages. However, these wages should be reported by the employees as taxable income on their personal income tax returns. Therefore, the employer is required to report the wages as PIT subject wages.

Table

The following table may be used to calculate an employee's reportable wage when the employer, under an arrangement with the employee, pays either Social Security, Medicare, SDI, or a combination thereof without deducting the amount of the taxes from the employee's pay:

YEAR	SOC. SEC. ONLY	MEDICARE ONLY	SDI ONLY	SOC. SEC. & MEDICARE	SOC. SEC., MEDICARE & SDI
1995	1.06610	1.01471	1.01010	1.08284	1.09469
1996	1.06610	1.01471	1.00806	1.08284	1.09230
1997	1.06610	1.01471	1.00502	1.08284	1.08873
1998	1.06610	1.01471	1.00502	1.08284	1.08873

Using the applicable factor from the table above, and multiplying it by the amount the employee received

without deduction, will result in the reportable wage pursuant to Section 926, CUIC.

Formula

$$W = \frac{S}{1-R}$$

W = the employee's reportable wage - the wage after the increase reflecting the pyramiding effect.

S = amount of salary paid without deductions.

R = rate of tax or taxes paid.

R TABLE

		1995	1996	1997	1998
R1	SOC. SEC. ONLY	.0620	.0620	.0620	.0620
R2	MEDICARE ONLY	.0145	.0145	.0145	.0145
R3	SDI ONLY	.0100	.0080	.0050	.0050
R4	SOC. SEC. & MEDICARE	.0765	.0765	.0765	.0765
R5	SOC. SEC., MEDICARE & SDI	.0865	.0845	.0815	.0815

1-R TABLE

		1995	1996	1997	1998
1-R1	SOC. SEC. ONLY	.9380	.9380	.9380	.9380
1-R2	MEDICARE ONLY	.9855	.9855	.9855	.9855
1-R3	SDI ONLY	.9900	.9920	.9950	.9950
1-R4	SOC. SEC. & MEDICARE	.9235	.9235	.9235	.9235
1-R5	SOC. SEC., MEDICARE & SDI	.9135	.9155	.9185	.9185

TABLE OF 1-R RECIPROCAL

		1995	1996	1997	1998
$\frac{1}{1-R1}$	SOC. SEC. ONLY	1.06610	1.06610	1.06610	1.06610
$\frac{1}{1-R2}$	MEDICARE ONLY	1.01471	1.01471	1.01471	1.01471
$\frac{1}{1-R3}$	SDI ONLY	1.01010	1.00806	1.00502	1.00502
$\frac{1}{1-R4}$	SOC. SEC. & MEDICARE	1.08284	1.08284	1.08284	1.08284
$\frac{1}{1-R5}$	SOC. SEC., MEDICARE & SDI	1.09469	1.09230	1.08873	1.08873

NOTE: The percentage rate used in the formula will change whenever the employee Social Security, Medicare, or SDI tax rates change.

W-2 Form

For purposes of the Form W-2, total wages for state purposes will include any amounts as defined by 13009, CUIA. Therefore, the reportable state wage will include the increase based on the index shown above. Also, the SDI should be shown on the W-2 Form in box 21 (or the nearest available box) as though the SDI amounts were actually withheld up to the taxable wage limit.

Voluntary Plan - Disability Insurance

If the employer has an approved voluntary disability insurance plan in lieu of the SDI, the amounts paid into the plan by the employer do not constitute additional wages to the employee.

If you have any questions, you may contact your local Employment Tax Customer Service Office (ETCSO). Telephone numbers are listed in the "State Government Offices" section of telephone directories under Employment Development Department.

Equal Opportunity Employer/Program. Auxiliary services available to individuals with disabilities. TDD Users, contact the California Relay Service: 1-800-735-2929.